

FISCAL NOTE

SB 2793 - HB 2973

February 19, 2008

SUMMARY OF BILL: Requires local education agencies (LEAs) to pay at least 50 percent of health insurance premiums collected on behalf of all eligible employees. Specifies LEAs' use of BEP insurance premium component for FY08-09. Currently LEAs are required to pay 45 percent of the premium collected. If LEA pays less than 80 percent of the premium collected in FY07-08, then increased state BEP funds shall be used to increase the premium. If an LEA paid 80 percent of the premium collected, then the increase in BEP funds shall be used for an increase in other employee benefits.

ESTIMATED FISCAL IMPACT:

Increase Local Expenditures* - \$30,039,900

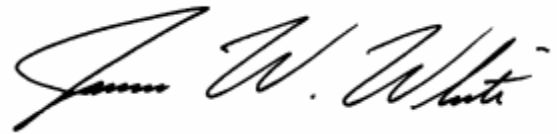
Assumptions:

- State BEP funding will not increase as a result of this bill. All costs will be borne by local government.
- According to the Department of Finance and Administration, the 2008 average insurance premium per employee is \$8,043.12. Raising the local paid amount to 50 percent from 45 percent will be an increase of approximately \$402 per employee ($\$8,043 \times 5\% = \402).
- All LEA employees regardless of BEP funded positions will be covered under these provisions. Currently, there are 74,726 LEA employees. The total increase in local expenditures will be \$30,039,852 ($74,726 \times \$402 = \$30,039,852$).
- Requiring LEAs to use all BEP insurance component funds for insurance premiums will have no impact on the BEP funding formula.
- LEAs will increase expenditures to meet this requirement rather than shift funds from other programs.

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is written in a cursive style with a large, stylized "J" and "W".

James W. White, Executive Director

/msg